

AR49

TO THE SHAREHOLDERS
OF SCOTT PAPER LIMITED

For the first six months of 1967, total net sales increased by 16 per cent over the corresponding six months of 1966. Both physical and dollar volumes were at record levels for a first half-year period. Wider consumer acceptance of Scott Paper products in homes and in places of business is a most encouraging aspect of the Company's performance in the first half of 1967.

In spite of higher sales, increases in selling prices of some products plus greatly improved production efficiencies at both plants, the cost of products sold was a larger portion of the sales dollar in 1967 than in 1966. The Company, together with business in general, continued to absorb major increases in the cost of materials, manpower and purchased services.

The achievement of lower marketing, general, administrative and development expenses as a portion of the sales dollar was the principal factor in improving pre-tax income.

As anticipated, the Company's effective tax rate rose to an estimated 41 per cent from the low levels of 1965 and 1966, reflecting the expiration of special incentive capital cost allowances. Income after taxes rose by a modest two per cent over the first half of 1966. The results for the first half of 1965 have been included in this report to provide shareholders with a summary of the operating results and trends for the three half-yearly periods.

For the Board of Directors,

A. F. ARMSTRONG,
President.

New Westminster, B.C.
July 14, 1967.



Free

SCOTT PAPER LIMITED

STATEMENT OF OPERATIONS
The First Six Months of 1967

Subject to audit and year end adjustments



SCOTT PAPER LIMITED

Statement of Income for the First Six Months of 1967 (with corresponding amounts for 1966 and 1965)

	First Half 1967	First Half 1966	First Half 1965
Sales, less discounts and allowances.....	<u>\$15,586,725</u>	<u>\$13,427,506</u>	<u>\$12,619,913</u>
Expenses:			
Cost of products sold (Note 1).....	<u>10,572,517</u>	9,003,814	8,851,755
Marketing, general, administrative and development expenses.....	<u>3,898,763</u>	3,730,939	3,212,199
	<u>\$14,471,280</u>	<u>\$12,734,753</u>	<u>\$12,063,954</u>
Income before taxes.....	<u>\$ 1,115,445</u>	\$ 692,753	\$ 555,959
Provision for taxes on income (Note 2).....	<u>457,380</u>	50,000	25,000
Income after taxes for the period.....	<u>\$ 658,065</u>	<u>\$ 642,753</u>	<u>\$ 530,959</u>
Income per share after taxes (Note 2).....	\$.82	\$.80	\$.66
Dividend paid per share.....	.40	.40	.40
Number of common shares outstanding.....	800,000	800,000	800,000

Notes:

- (1) Cost of products sold includes depreciation of \$528,009 for the first six months of 1967 compared with \$526,466 for the first six months of 1966 and \$474,047 for the first six months of 1965.
- (2) The company continued its policy of claiming maximum capital cost allowances available for determining income taxes payable. This policy reduced the estimated tax liability for 1967, but to a much lesser extent than in 1966 and 1965 when accelerated capital cost allowances were available.